

Message Text

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ACTION EA-10

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TRSE-00 NEA-09 FEA-01 INT-05 /086 W

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FM USLO PEKING

TO SECSTATE WASHDC 3092

INFO AMEMBASSY TAIPEI

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AMCONSUL HONG KONG

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C O N F I D E N T I A L PEKING 0071

E.O. 11652: GDS

TAGS: EGEN, ETRD, EAGR, US, CH

SUBJECT: LUNCHEON REMARKS BY FOREIGN TRADE MINISTER LI CH'ANG

SUMMARY: AT LUNCH WITH MR. BUSH, PRC MINISTER OF FOREIGN TRADE LI CH'ANG EMPHASIZED THE ROLE OF WHOLE PLANTS, EQUIPMENT AND TECHNOLOGY IN FUTURE SINO-US TRADE AND IMPLICITLY DOWNGRADED PROSPECTS FOR AGRICULTURAL COMMODITIES. HE SAID THE CCPIT VISIT TO THE US WHICH WAS POSTPONED LAST YEAR WILL TAKE PLACE, BUT NO DATE HAS BEEN SET. CHINA'S GRAIN PRODUCTION IN 1973 WAS 250 MILLION TONS, HE SAID, AND LAST YEAR OUTPUT INCREASED SOMEWHAT. LI DENIED THAT CHINA RAN A TRADE DEFICIT IN 1974 BUT DID NOT ELABORATE. END SUMMARY.

1. PRC MINISTER OF FOREIGN TRADE LI CH'ANG LUNCHEONED WITH MR. BUSH AND USLO OFFICERS JANUARY 15. HE WAS IN GOOD HUMOR AND SPOKE EASILY BUT IT WAS HARD TO DRAW HIM OUT ON SUBSTANTIVE ISSUES. HE NONETHELESS MADE A FEW SIGNIFICANT COMMENTS ON SINO-US TRADE, PRC GRAIN PRODUCTION AND OTHER TOPICS.

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2. ASKED HIS VIEW ON THE FUTURE OF US-CHINA TRADE, LI SAID

THE TRADE WOULD CONTINUE TO DEVELOP. "WE WILL BUY WHOLE PLANTS, EQUIPMENT AND TECHNOLOGY FROM YOU," HE SAID. "WE HAVE ALREADY BOUGHT EIGHT AMMONIA PLANTS. AND THERE WILL BE MORE." HOWEVER, HE CONSPICUOUSLY OMITTED REFERENCE TO FUTURE TRADE IN GRAIN AND AFTER SEVERAL EFFORTS TO DRAW HIM OUT HE FLATLY SAID "IT IS NOT CERTAIN THAT WE WILL CONTINUE TO BUY YOUR GRAIN." COMMENTING ON THE IMBALANCE IN SINO-US TRADE, LI EMPHASIZED THAT "WE DO NOT NEED AN ABSOLUTE BALANCE IN OUR TRADE." BUT ADDED THAT "IF YOU BUY MORE FROM US WE WILL HAVE MORE MONEY WITH WHICH TO BUY FROM YOU."

3. IN REGARD TO THE VISIT OF A CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE (CCPIT) DELEGATION TO THE US WHICH WAS POSTPONED LAST YEAR BUT HOPEFULLY WILL TAKE PLACE THIS YEAR, LI SAID NO DATE HAS BEEN SET; BUT HE TWICE STATED THAT "THE MISSION WILL GO."

4. ON GRAIN, LI REPEATED THE USUAL LINE THAT CHINA EXPORTS RICE AND IMPORTS WHEAT IN ORDER TO VARY THE DIET. THE VALUES OF THESE IMPORTS AND EXPORTS, HE SAID, ARE ABOUT THE SAME. (WE DOUBT THIS.) CHINA EXPORTS MORE RICE THAN THAILAND, HE ADDED. (WE BELIEVE THAI EXPORTS AVERAGE IN THE VICINITY OF ONE MILLION TONS.) ASKED IF POSTPONEMENT OF PRC WHEAT IMPORTS IN THE FOURTH QUARTER OF LAST YEAR WERE DUE TO A GOOD HARVEST, LI SAID YES, BUT THE NEED TO REDUCE CONGESTION IN PRC PORTS WAS ALSO AN IMPORTANT FACTOR. CHINA'S TOTAL GRAIN HARVEST IN 1974 WAS LARGER THAN IN 1973 WHEN IT WAS 250 MILLION TONS, LI SAID, BUT HE SEEMED TO IMPLY THAT THE INCREASE WAS NOT DRAMATIC. AS FOR A FINAL HARVEST FIGURE, LI SAID IT CANNOT YET BE GIVEN BECAUSE THE REPORTS ARE NOT ALL IN.

5. LI SAID CHINA'S PRODUCTION OF OIL IS LESS THAN INDONESIA'S (WHICH IN 1973 WAS ABOUT 65 MILLION TONS). CHINA IMPORTS SOME OIL, HE SAID, BUT ONLY TO BALANCE TRADE WITH CERTAIN PARTNERS WHO DO NOT HAVE MUCH ELSE TO SELL (PRESUMABLY ALGERIA OR OTHER ME COUNTRIES). ASKED IF CHINA HAS CONSIDERED IMPORTING LOWER PRICED ME CRUDE INTO SOUTH CHINA IN ORDER TO FREE MORE OF ITS HIGHER VALUE NORTH CHINA CRUDE FOR EXPORT, LI SAID NO AND SEEMED TO RULE OUT THE

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IDEA. QUERIED ON CHINA'S POSITION REGARDING THE US-FRENCH PROPOSAL FOR AN INTERNATIONAL OIL PRODUCERS AND CONSUMERS CONFERENCE, LI FIRST DUCKED THE QUESTION BY SAYING THAT CHINA IS ONLY A SMALL PRODUCERS, AND THEN WHEN PRESSED SAID ONLY THAT "THE ARABS ARE OUR FRIENDS." IN FURTHER TALK ABOUT OIL, LI APPEARED WELL INFORMED ABOUT TECHNOLOGY AND EQUIPMENT INVOLVED.

6. IN REPLY TO A QUESTION ABOUT CHINA'S TRADE DEFICIT LAST YEAR,

LI SAID THERE HAVE BEEN SUCH REPORTS IN FOREIGN PAPERS, BUT THEY
ARE WRONG.
BUSH

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